

**BUILDING AN INNOVATIVE CULTURE
IN A THAI SUBSIDIARY OF A MULTINATIONAL
CORPORATION IN THE RETAIL INDUSTRY: A CASE STUDY
OF TESCO LOTUS**



KAMOLPORN TANGBORIBOONSUK

**THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF MANAGEMENT
COLLEGE OF MANAGEMENT
MAHIDOL UNIVERSITY**

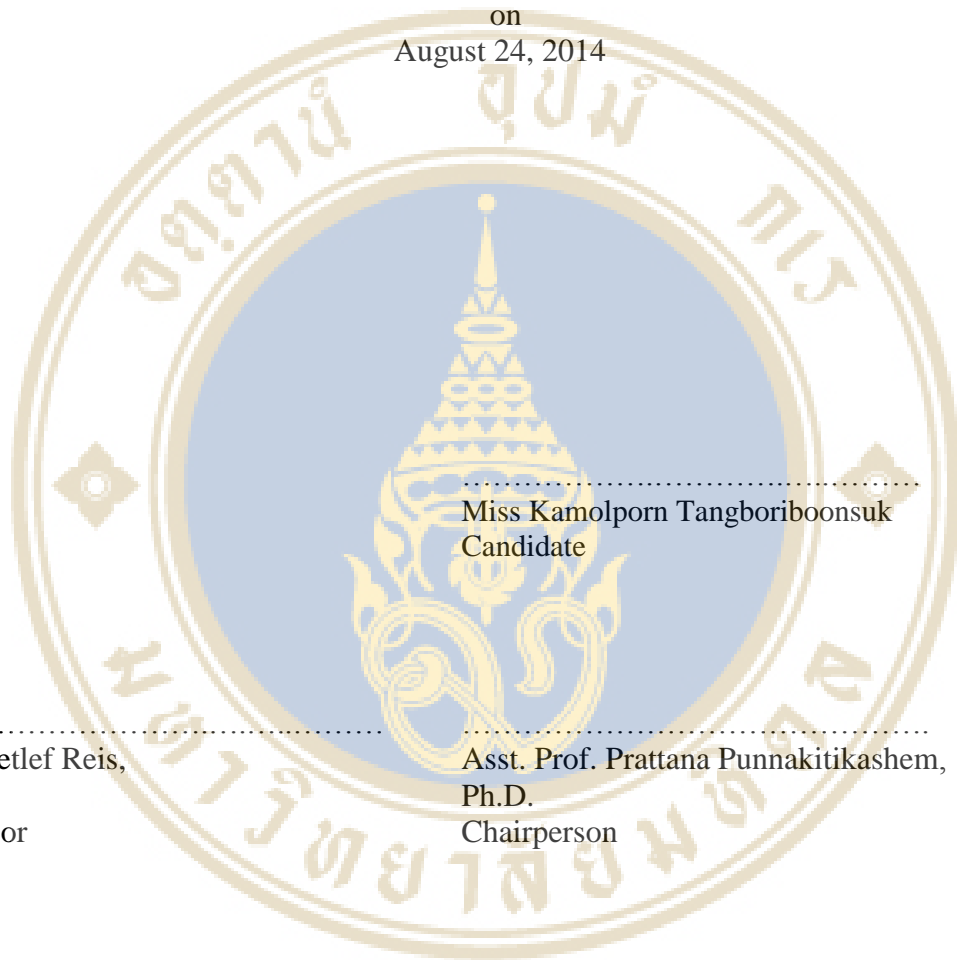
2014

COPYRIGHT OF MAHIDOL UNIVERSITY

Thematic paper
entitled
**BUILDING AN INNOVATIVE CULTURE
IN A THAI SUBSIDIARY OF A MULTINATIONAL
CORPORATION IN THE RETAIL INDUSTRY: A CASE STUDY
OF TESCO LOTUS**

was submitted to the College of Management, Mahidol University
for the degree of Master of Management

on
August 24, 2014



.....
Miss Kamolporn Tangboriboonsuk
Candidate

.....
Dr. Detlef Reis,
Ph.D.
Advisor

.....
Asst. Prof. Prattana Punnakitikashem,
Ph.D.
Chairperson

.....
Assoc. Prof. Annop Tanlamai,
Ph.D.
Dean
College of Management
Mahidol University

.....
Asst. Prof. Kannika Leelapanyalert,
Ph.D.
Committee member

ACKNOWLEDGEMENTS

In order to complete this thematic paper, I would like to express my gratitude to my advisor Dr. Detlef Reis, for assisting and supporting me since the beginning of my research until completion of the last part of my research. I really appreciate his kindly suggestion, recommendation, motivation, and patience whilst instructing me. His guidance is very important as he gave me the direction and makes me understand information in depth.

Also, I would like to express my appreciation to my interviewees who gave me their valuable time to support my research.

Lastly, thanks to all my family and colleagues for sharing their experience and for the unconditional support for me during the research period. Without the understanding and encouragement from you, I might not have been able to finish this study.

Kamolporn Tangboriboonsuk

**BUILDING AN INNOVATIVE CULTURE
IN A THAI SUBSIDIARY OF A MULTINATIONAL CORPORATION IN
THE RETAIL INDUSTRY: A CASE STUDY OF TESCO LOTUS**

KAMOLPORN TANGBORIBOONSUK 5549283

M.M. (LEADERSHIP AND HUMAN RESOURCES MANAGEMENT)

THEMATIC PAPER ADVISORY COMMITTEE: DR. DETLEF REIS, Ph.D., ASST.
PROF. PRATTANA PUNNAKITIKASHEM, Ph.D., ASST. PROF. KANNIKA
LEELAPANYALERT, Ph.D.

ABSTRACT

Nowadays, companies tend to promote themselves as innovative companies. The greatest challenge to being a genuinely innovative company is the absence of an innovative culture within the company. To help a company build an innovative culture we have to investigate what the factors are that help a company to be the valid innovative company. This research will be focused on the importance of innovative culture and factors to build that culture.

In reference to the research method, the researcher used a qualitative research by creating in-depth interviews with the probing technique to help the researcher find deeper information and the interviewees' attitudes toward innovation. The data was collected from three respondents who are senior managers of Tesco Lotus.

This research revealed that “trust, challenge, freedom/flexibility and commitment from management” were considered as the most important factors to build innovative culture in retail industry. It can be concluded that innovative culture should come from the commitment of management and the Human Resources Department, which all have to be centralized in the company.

KEY WORDS: innovative culture/ organizational culture/ innovative company

CONTENTS

	Page
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
LIST OF FIGURES	v
CHAPTER I INTRODUCTION	1
CHAPTER II LITERATURE REVIEW	3
CHAPTER III RESEARCH METHODOLOGY	10
CHAPTER IV RESEARCH FINDINGS	13
CHAPTER V DISCUSSION	21
REFERENCES	24
BIOGRAPHY	27



LIST OF FIGURES

Figures	Page
2.1 The three components of creativity	3
2.2 The organizational iceberg	4
2.3 Defining creativity and innovation	5



CHAPTER I

INTRODUCTION

In the current era of global competition, people are faced with a rapidly changing environment that is becoming increasingly complex each day. Following the global competition which effects customer behavior and confidence, it is also shifting more and more towards the retail industry which is directly confronted with the end-consumers. However, with domestic and international competition increasing, retailers seem to face many critical problems from their competitors not only on low cost strategy but also on how to discover new strategy to differentiate the organization. Many companies have become aware of the importance of innovation. Most of these companies invest innovation in research & development and benefits that they grow faster than their competitors because of their new improvements in system, strategy, and products. All the external and internal environment will impact the organization either positively or negatively. In retail business, the organization is challenged to build their competitive advantages by building their strong innovative corporate culture to provide value to customer, and a satisfactory return to the business.

Many organizations claim to be improved and advanced organizations, however they still have some traditional cultures which are not perfectly aligned with their desired strategies and claim to be innovative organizations. Management tries to create a culture in the organization to encourage their employees to think, practice and take initiative on their ideas. People recognize an innovative company from its output, their new products, services or processes that are different from others. Nevertheless, the important part comes from the center of organization that is organizational culture. A critical question for companies to use is Does our organizational culture help our people to initiate unique, novel and meaningful ideas?

To support a company's goal of being an innovative company, employees in the organization should support the company by promoting improvement and let them realize how important innovation is. To build an innovative company, we have to

start from the employee's mindset. If they have the mindset to advance then it will result the same way that they think and behave.

The objective of this study is to determine factors of an innovative corporate culture that align with the modern environment and achieve an organization's performance empowered by its workforce to propose innovative ideas for new products, services, and processes. There are various dimensions to build a company to be an innovational organization. Hence, in this paper I will focus on the culture dimension in retail business which plays a critical role in global business. This study is set up to investigate the current state of innovation corporate culture in an innovative company in a Thai Subsidiary of a Multinational Company in the Retail Industry. The project will be conducted by interviewing related people who are in charge of the issues within the organization.

This thematic paper will be focused by choosing Tesco Lotus as a case study. The main reason I chose this company is because Tesco Lotus claims to be an innovative company and its business strategy is "to develop new innovation to be the best in our business and for our customers". Tesco Lotus has constantly invested in innovation to improve and develop to be number one in retail business by using innovation strategy.

The study results will help transform the organization or drive corporate general culture to become an innovative organization. Furthermore, it will provide information on how to build a corporate culture to be aligned with innovation and creativity which mainly focus on culture conversion in retail industry.

CHAPTER II

LITERATURE REVIEW

According to Byrd J. and P. L. Brown (2005), innovation keeps companies continuous growth. In other words, if your organization does not innovate, your organization will be left behind. In addition, Amabile, T.M (1998) studied the topics of creativity and innovation extensively (the concept of creativity and innovation are often used interchangeably in the literature). Her definition of creativity is broken down into three main components: knowledge, creative thinking and motivation.

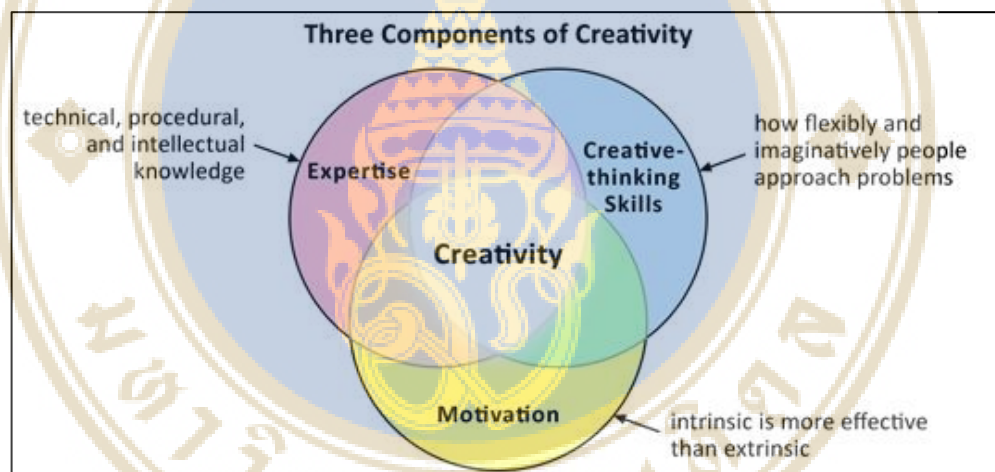


Figure 2.1 The three components of creativity adopted by Amabile T.M. (1998)

As figure one illustrates, creativity not only refers to the creative thinking skill and intellectual knowledge to come up with new product, service or process. Hence, to achieve successful creativity, one needs one component to combine them and that is motivation. There are two types of motivation – extrinsic and intrinsic. However, not all types of motivation would result the same impact on creativity. Detailed explanation will follow later.

It is noteworthy that becoming an innovative organization requires an organizational culture that constantly guides its members to strive for innovation and a

climate that is conducive to creativity (Pervaiz K.Ahmed, 1998). This is also consistent with E.C. Martins and F. Terblanche (2003)'s work which suggests that the organizational culture is the deeply held beliefs and values shared by personnel in an organization. Moreover, Hassan D., Elaheh A.N. (2013) argue that organizational culture is something that an organization possesses and is given to people when they are hired.

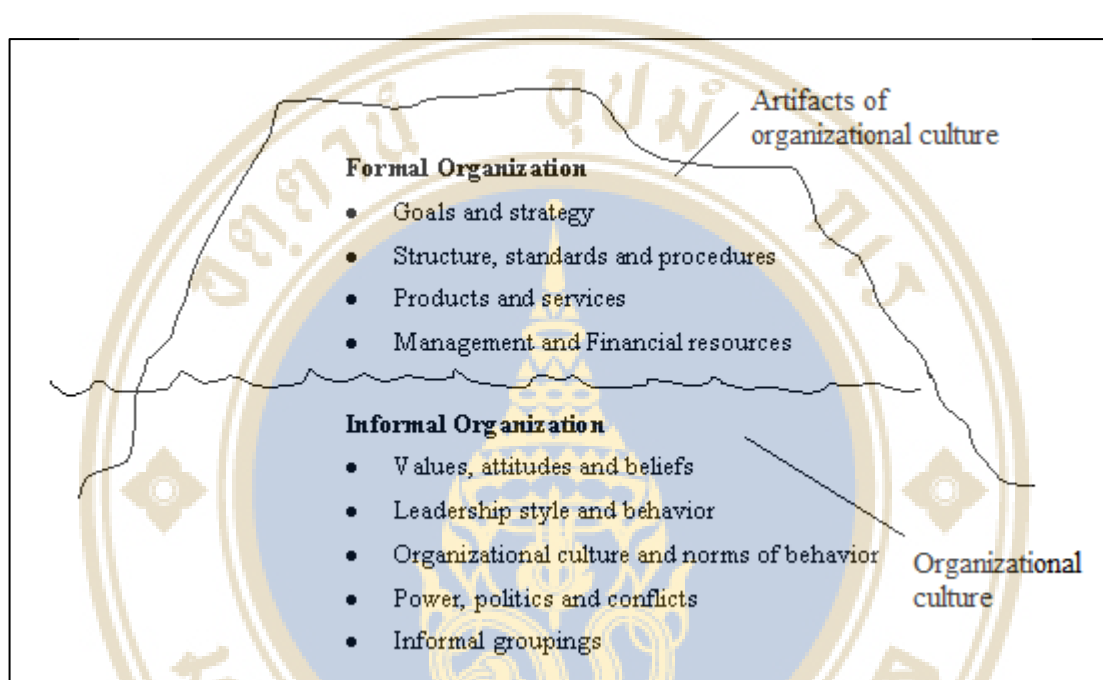


Figure 2.2 The organizational iceberg adopted by Johnson G., Scholes K.,1993

As figure 2.2 illustrates, the values, attitudes, beliefs, and behaviors that represent organizational culture operate beneath the surface of organizational structure; they are not directly observed, yet their effects are everywhere. This is also consistent with *Managing Corporate Culture* written by Davis (1984), who maintains that organizational culture, is the pattern that grooms behavior from invisible or informal organizational culture to be externally visible organizational culture.

Jaskyte and Dressler, 2005 asserted that organization can influence innovative culture by getting employee commitment and influencing employee creativity to increase organization ability to achieve business valued innovative goals from the clear understanding of organization objective. Thus, in companies innovation involved intense collaboration of people and teams with different knowledge, for

gaining their experiences and they can practice it (Martin W., Wallin, Georg V. Krogh, 2010).

After we understand the concept of innovation, the importance of organizational culture that reflects through company is the question “What is it that makes one organization more innovative than the others?”. Jaskyte, Dressler (2008) pointed out that organization can influence innovative culture by getting employee commitment in terms of believing in innovation as an organizational goal. To increase organization ability to achieve the business values, it should come from the clear understanding of organization objective.

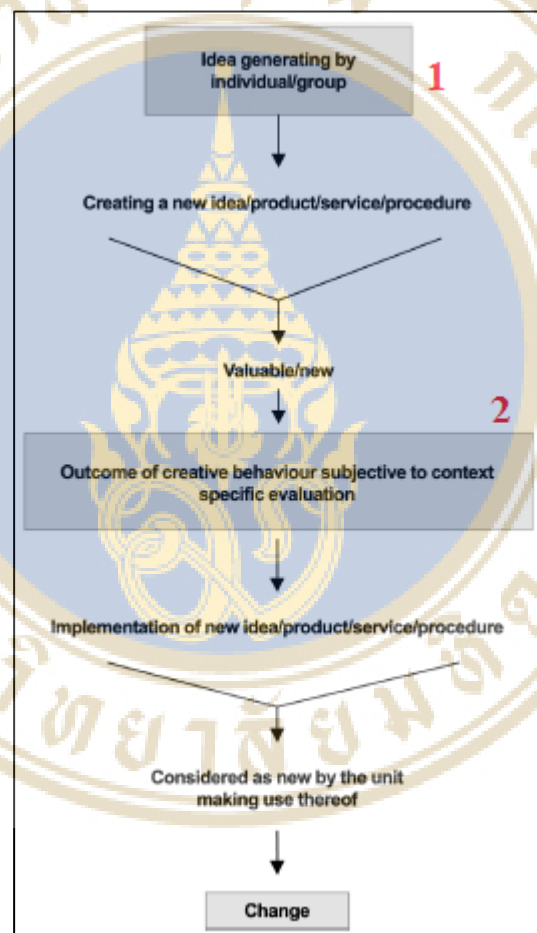


Figure 2.3 Defining creativity and innovation by Martins, E.C. & Terblanche F

This model was first articulated by Tesluk et al (1977), the basic elements of organizational culture influence creativity and innovation, to explain two connected ways between individual’s behavior and organizational structure as follows :

1. From individual who lives in the organization by learning what behaviors, values, and beliefs are accepted. If individual's behavior is not accepted by others, the individual will develop and share his/her behaviors to be the accepted ones.

2. From the individual's values, assumptions, norms, and beliefs which are informal structure become a formal structure directly affecting creativity in the workplace.

As we can see from the above studies, there are three components of creativity which are creative thinking skills, expertise and motivation. There are two common types of motivation, extrinsic and intrinsic, and this is one element that can drive organizational culture. The important factors which create the organizational culture are the values, beliefs, norms and assumptions. People play as the key roles in organizational culture because of values, beliefs and so on, which are mainly driven from the individual. This study is consistent with Hartmann A. (2005)'s theory that people need a set of behaviors which can be identified, and these must be supported with processes that require those behaviors to occur. Thus, an organization needs to consider the importance of innovative cultural factors which can support the organization to have effective innovation.

Based on different theoretical frameworks, various models of culture have been developed to investigate a number of dimensions that can create creativity and innovation (Hunter, Bedell & Mumford, 2007). There is a general consensus in the literature that there are some related elements to drive innovative culture as below:

Challenge / Intrinsic Motivation

As we know from Amabile, T.M (1998), managers should put the right man in the right job or match people with the right assignments in order to let them play to their expertise and skills in creative thinking, and ignite their intrinsic motivation. However, managers have to expand the employee's ability to work in more challenging functions with the stable level of challenge, not so little that the employees feel bored nor so much to make them feel uncomfortable by a loss of control. And also another writer, Pervaiz K.A. (1998) has extended that the level of employee participation in daily assignment is the one factor to be developed as the challenging element by meeting the commitment and eagerness to get things done.

Several researchers, S. Jamsai, S. Nousala & M. Terziovski (2007) presented a case study on *Invincible Co Ltd.* where the manager believes in rewarding people when a person could think differently from others. This could be one of the factors to motivate people to think that it is time to take a challenge. It can be a small and funny idea or quite unique principles that may or may not be related to the present product but may lead to things being seen in different way. Arad et al. (1997) supported this statement by pointing out rewarded behavior that reflects the values of the company. When inspired behavior is rewarded, it will change the general, principal way of behaving.

Tolerance of mistakes

This study is based on the work of Brodtrick (1997), the different level of a company's patience of mistakes affects the creativity of innovation. Besides, the company that has the traditional culture which can accept the employee's mistake and apply it as the learning opportunity, could drive more chance of new innovation occurring.

Freedom

Pervaiz K. A. (1998), stated that 3M has set their innovative traditional culture to give their employees a certain amount of time from work time to do some projects of their own initiative based on their own interest and which require company's funds to support. Also, each employee is encouraged to share and to get involved in other projects as well because people have different abilities, skill sets, and capabilities. Everyone needs the opportunity to contribute their creativity.

Building a culture of teamwork / collaboration

Many researchers; McGill et al. (1993); Hill (1996) and Argyris & Schon (1978) pointed out that teamwork is a common and valued mode of working; and also diversity of backgrounds, cognitive style and attitude is encouraged and cultivated. Furthermore, innovation must be a collective tool using effective teamwork by carefully selecting the cross-functional teams with different working experience which are highly related to the innovative factor. A former study by Martin W. & Wallin G.

(2010), described the importance of teamwork where innovation involves the powerful team work of people with unlike knowledge, experiences, and expertise in different job functions. As a result, establishing for innovation is mainly focusing on finding and gathering the different knowledge beside the innovation process.

Making a trust

People are more likely to engage with an organization if the organization can make them believe the ideas and suggestion. Also, people will be unlikely to listen or follow the process if they do not trust. Thus, people who trust will be engaged in the innovation process – both of giving suggestion and building implementation because trust is willingness to increase resources invested in another party from the positive interactions. (Clegg, Chris; Unsworth, Kerrie; Epitropaki, Olga; Parker, Giselle (2002); Tzafirir and Eitam-Meilik (2005).

There is a widespread literature on the subject of trust in the “Honeybees and Locusts”, concept of Avery. G.C. and H. Bergsteiger (2010), which provides the key issue that trust is the important factor that also supports innovation. The authors have showed the companies which believe in trust such as IBM, Giesecke & Devrient, Continental Airlines. The study shows that all the firms mentioned earlier recognize the importance of trust and study, all top management believe that trust is a motivation to drive an employee’s creative thinking. Companies that work on trust and respect for their employee do not need many rules and procedures to control people because the company believes in them. Trust is the one factor that helps a company to create an innovative culture. If people believe and trust in organization by working on trust and respect, they do not need so many rules and procedures to control people.

From the above studies, we can learn that when building a culture with supportive innovation, it appears that creativity and innovation will be influenced by various factors, while more factors seem to play a role in building an innovative culture. I decided to choose a few factors due to the limited scope of this paper: challenge, tolerance of mistakes, building a culture of teamwork / collaboration, freedom and making a trust for my thematic paper since it will focus on the culture to build an innovative company. This research scope will explore the case study of the retail industry in Thailand in order to learn more about the importance of creating

culture since the company is a self-proclaimed innovative company. In addition, the research will also find what factors they need to consider before building the innovative culture.



CHAPTER III

RESEARCH METHODOLOGY

This research will demonstrate how to build an innovative culture in innovative company. There are many factors involved to help company build a culture. Results from various researches and journals showed two interesting aspects which can be summarized into two research questions. First is about how important is building innovative culture in innovative company and second question is what are the factors that influence company to be innovative organization.

The methodology to do the research is qualitative research by conducting direct interview. The main reason I use qualitative research is to gain understanding of respondents' thought, belief, experiences, and emotion (Snap Surveys Ltd., 2013). This type of research helps me to recognize the factor and its relationship, which allow me to examine the information deeply for better understanding and to investigate the thought or attitude from the respondents.

The selected company to be the case study is Ek-Chai Distribution System Company Limited (Tesco Lotus). Tesco Lotus is based in Bangkok and was founded in 1998. Tesco's headquarters are in Britain and it is one of the world's leading retail businesses, and also a leading retail operator in Thailand with over 1,000 stores and over 45,000 employees. Altogether, Tesco has 65,000 stores in 13 countries and over 500,000 employees across the globe. The organization has business strategies and business development which include: develop new innovation to be the best in the business and for the customers, invest in the human resources, be a leader in supporting community and the environment, and recognize the importance of developing the subsidiary "retail service". In such a big retail operator, employees need to be fast moving in order to support business through the company's strategy and compete with competitors. According to business strategy, the most important part of business development is to make employees focus on getting more customers than

competitors and to make employees make an effort to create a new innovation for organization in order to stimulate business growth.

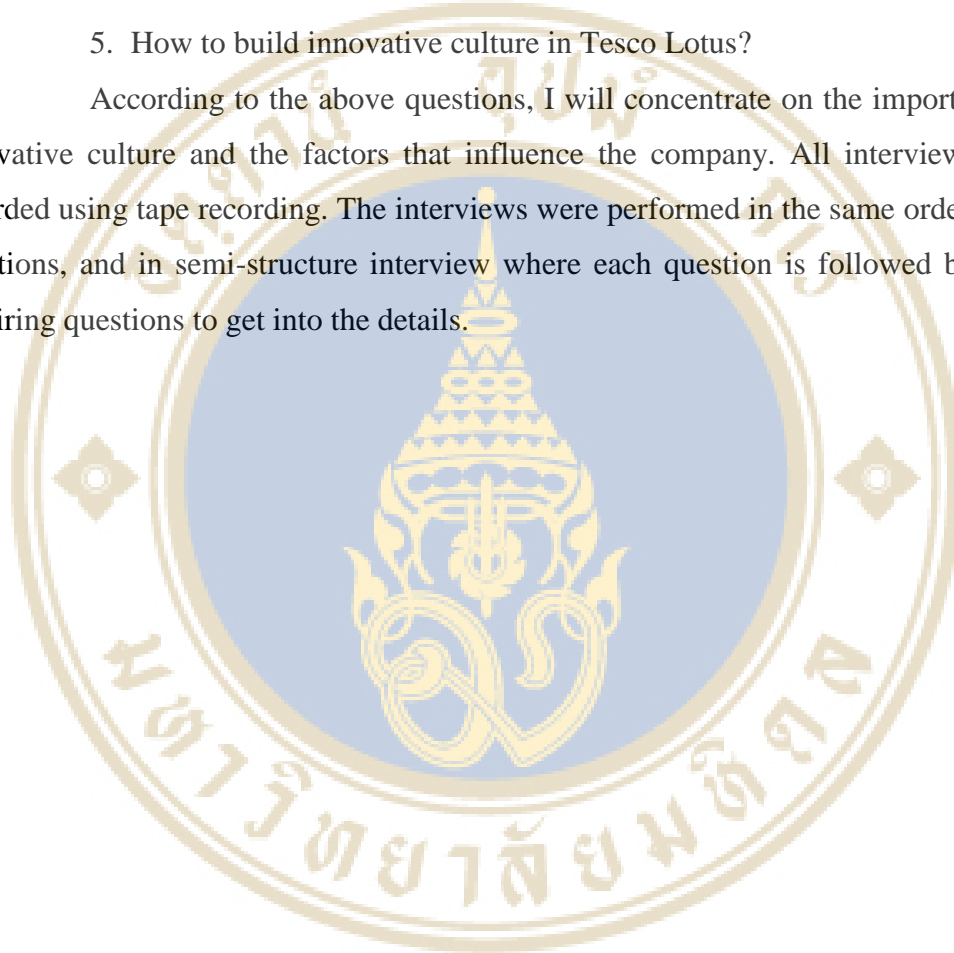
For data collection process, I chose to conduct the research at Tesco Lotus Sukhapiban 1, the head office, in the meeting room for the sake of privacy. The length of each interview was about 40 to 60 minutes, which was plenty of time to collect information for this thematic paper. The interview was done in Thai language to gain a better understanding of in-depth details. The interview was conducted to identify the factors to build innovative culture in the company and its effectiveness. The sample size was three current employees who work related with innovation process but in different functions: Business Planning, Personnel, and Marketing Operations with senior level title as Manager and Head of Department. They have 1 to 5 years of work experience at Tesco Lotus and have past working experience of more than 10 years in Multinational subsidiary companies. They graduated with Master's degree from overseas.

The first interviewee is the Head of Business Planning. His role and responsibility include developing recommendations on business plan and strategic initiatives, evaluating operational effectiveness and identifying key improvement opportunities, and performing market analysis including industry trend and internal performance. The task is challenging because the interviewee is the person who identifies key strategy opportunities to support Tesco Lotus growth plan as well as challenges. The second sampling is a Personnel Manager – Training. The reason that I selected this role is because training is the function that can build employees in both technical and soft skill. His tasks and responsibility include designing, developing, coordinating, implementing, delivering and evaluating training programs that support organization objectives and aligned with the organization's business plan. The third sampling is Support Operations Customer Relationship Senior Manager. I chose this function because this department is the department that faces the customer and is innovative in managing customer relations so I will gain an understanding from the past before Tesco Lotus told itself to be innovative and after company told itself that it is going to be innovative company.

The interviewees were asked to describe the current organization culture, also their attitude towards innovative company and which factors that affect organization build an innovative culture. The interviews have five questions as follow:

1. What is innovation? How is Tesco's culture at the moment?
2. Why innovative culture can support Tesco Lotus?
3. What factors are relevant to build an innovative culture?
4. What business unit / function is involved or should be involved?
5. How to build innovative culture in Tesco Lotus?

According to the above questions, I will concentrate on the importance of innovative culture and the factors that influence the company. All interviews were recorded using tape recording. The interviews were performed in the same order, same questions, and in semi-structure interview where each question is followed by more inquiring questions to get into the details.



CHAPTER IV

RESEARCH FINDING

In this chapter the results of the data analysis are presented. The data were collected and then processed in response to the problems. The findings presented in this chapter demonstrate the potential for merging theory and practice. Each respondent was asked to share their attitude towards the current company's culture that has innovative culture or not:

Question 1: What is innovation? How is Tesco's culture at the moment?

In the interview session, I asked interviewees regarding the meaning of innovation to learn whether their understanding is the same or not. I found that there are different opinions of innovation from respondents. Two of three respondents claimed that innovation is a new or different idea which makes processes, services and products develop or make them different from the past. While the other respondent mentioned a very interesting point; innovation consists of two parts; first was creativity and the second was innovation. The respondent pointed out that creativity is a new idea or different from the existing output, similar like the other two respondents. However, if only ideas but no action is incorporated then the innovation would not take place. Therefore innovation means both creative thinking and action altogether.

In addition, all respondents were asked about their attitudes toward the company at the moment. Did they think the company is an innovative company? Two of the respondents felt that Tesco Lotus is an innovative company but in the low level of innovation. They explained that when Tesco Lotus was first established, it did not announce that it was an innovative company so customers knew Tesco Lotus only as a company that provides low price. However, they can see that Tesco Lotus is moving

forward to be an innovative company. On the other hand, for example, when Google and Apple were first established, they announced themselves to be innovative companies and subsequently their customers believed that they were innovative companies. Nevertheless, the one out three respondent felt that Tesco Lotus is a valid innovative company. The respondent showed that Tesco Lotus is a number one retailer in Thailand because of innovation. According to the respondent, innovation means the company should focus on customers' needs and make improvements by creating new ideas for them. For example, Tesco has implemented green line for the cashiers; if customers' waiting line for cashiers is longer than green line then new cashiers will be opened. Also in e-commerce, Tesco Lotus is the first retailer in Thailand to implement online shopping.

Question 2: Why innovative culture can support Tesco Lotus?

All respondents agreed that the innovative culture is important for Tesco Lotus. The innovative culture can support the company to be the 'number one' in retail industry. However, the most challenging issue now is how to sustain innovative culture if we already embedded the culture in the company. One respondent suggested that to be successful, the company has to perform one or more of these three elements. Being "Best", Being "First" and Being "Different". For example, Target Corporation use differentiation to compete with competitors. Target Corporation believed in the element of being "different", afterward Target became the second-largest discount retailer in the United States. Target managed to generate different ideas even during an economic turn down. Target came out as the overall cheaper option (Brad Tuttle, 2012). The other two respondents stated that to become the valid innovative company, an organization should push their employees to be innovative people, because people are the heart of organization and to build innovative people, the company should start from building organization culture. The results gained from this question are consistent with the previous studies, which I already mentioned in chapter literature that organizational culture is the deeply held beliefs and values shared by personnel in an organization (E.C. Martins and F. Terblanche, 2003). Hence, if Tesco Lotus can build innovative culture to become the valid innovative company, it is certain that Tesco Lotus will gain more customers to achieve the target.

Question 3: What factors are relevant to build an innovative culture?

Further on the results, there are various factors that can build an innovative culture to drive company to be innovative. One of the three respondents claimed that being a valid innovative company does not come from company self- proclamation but comes from the employees behavior in that organization which will develop into the organizational culture.

After analyzing all respondents' answers, I am able to conclude the factors that affect the innovation culture in an innovative company. The factors are similar to what I have learned from literature review except for the additional commitment from management and intrapreneurial spirit in this case. The factors are as follows:

Commitment from top management

Two of the three respondents claimed that innovation should come from the management team. To create an innovative culture, the company has to have clear vision and mission. This mindset must begin at the top of the organization and cascade to every level. And most importantly, it includes the intangibles of culture: the beliefs, expectations, and sense of purpose of those in the organization. For example, Tesco Lotus announced since the beginning that it is the cheapest retailer. Since 1994 until now, customers have known Tesco Lotus as a company which gives the cheapest price. Top management should allow the employees to understand more about the business strategy and business objective in detail. Furthermore top management should clearly identify the benefit of innovative culture which supports an innovative company. When employees recognize the benefit and learn that the company is seeking an innovative culture, then employees will adapt themselves and align with the business.

One respondent stated that people assume that they lack creative thinking skill and are not able to make a distinguish innovation by themselves. However it is not their task to discover new improvements; it is the top management responsibility to achieve the goal and delegate it to their employees. Such misguided attitude will not

make a company a valid innovative company. On the other hand, companies such as Google and Apple recruit creative people because they need their ideas to make their companies become innovative. This principle is based on the idea that people want to be creative and that a company can provide them such surroundings in which they can express their creativity (Annika Steiber, 2014).

Challenge to work on innovation

From the interview, all of the respondents emphasized that challenge is one of the most important factors. The challenge for employees to work on modernization would benefit in information, problem solving and business activity to build resourceful culture in company.

All the respondents mostly agreed that the company may challenge their employees by conducting a competition which starts from an individual challenging project or team project. Employees from various departments should participate in the challenge to show their ideas in the project and expand their skills. They are free to select the project by themselves with no supervisor involvement. This would motivate them to follow their interests. The employees would realize that they are creative when the result is achieved. This theory is similar to that of Amabile, T.M., where we learned from literature review that employees implement what they desire to work with another team, and they choose and switch the team to ignite their intrinsic motivation.

Making a trust

Companies should trust that employees are able to design new or different idea for company. One respondent gave an example that Google introduced the idea of "20 percent time," where any employee could take a day's worth of time out of the normal work week and come up with a cool project to work on. And it worked: Google came up with a lot of really cool stuff (Casey Johnston, 2013). This example shows that Google gives 20 percent time to employees to join the project because they trust that their people can create new things. Moreover, another respondent mentioned that environment and place are the tools to help organizations build trust. Some companies think that if they provide a place for their employees to relax, then

employees will utilize the place for entertainment and would lose focus on the job and the company will not be successful. But the innovative company believes that people will utilize the benefit of place to discuss about work or new ideas that create value to company. This is also consistent with the literature called Honeybees & Locusts: The business case for sustainable leadership: by Gayle C. Avery and Harald Bergsteiner (2010), which suggests that trust is one factor that helps a company to build an innovative culture. The last respondent gave an example that the respondent had an excellent manager and he gave him respect and trust, in return, productivity was consistently high and the respondent was satisfied. He only needs to supervise and help the team and manager.

Teamwork/Collaboration

Teamwork is an important factor to build innovative culture. All the respondents stated that innovation needs an action; if there is no action and only an idea or imagination it would have no value. Also if there is only action from one person (Top management) or a small group of people in a big organization, it is also not efficient. Action will be efficient when people work together. For example, in order to complete a project productively, people need various skills to drive the project. One of the three respondents gave the example that he has many new ideas however he lacks IT skill and needs experts in IT to facilitate him and work on the project together. When a group of people willingly form a teamwork then productivity will be improved compared to if the company forms the team for them, because people who know each other well will work together better and the result will be better. In conclusion, teamwork is important to create new or different ideas. Moreover, the results are also supported by the article written by Martin W. & Wallin G, 2010 in Organizational Dynamics that suggests the importance of teamwork that builds success in a company as a result of different knowledge, experience and expertise combined and shared together.

Driving an intrapreneurial Spirit

One of the three respondents mentioned an interesting factor to build innovative culture in company which is the organization should encourage an

intrapreneurial spirit to employees. This intrapreneur attitude will stimulate the employee innovative thoughts. In the same way as working in project, if people think that they are the originator of a project, they would be motivated to have many creative ideas because they are determined to be a successful project proprietor. Gifford and Elizabeth Pinchot, (1978) introduced that intrapreneur is an employee initiative in organizations to create something new, and different to take direct responsibility to transform an idea into a profitable venture, while operating within the organizational environment. The reason to have intrapreneurial spirit in employees is because the company cannot grow without it. The company cannot rely only on the owner or CEO. Hence, the company should educate their employees according to the leader's method.

Flexibility and Freedom

Most of respondents claimed that an innovative company should give flexibility and freedom to employees when they work. If a company has many constraints and regulations which limit an employee's creativity, they will not be inspired to think outside the box. Many leading firms have focused on promoting flexibility, freedom and options such as flexible hour and work location. A flexible work style creates a happier workforce, in the right frame of mind to be creative. To transform a company's culture to be innovative, the company should give freedom and flexibility to employees.

Question 4: What business unit / function is involved or should be involved?

From the interview, the answer was separated into three dimensions; (1) CEO / Top management (2) Human resources Department and (3) Innovation Department;

CEO/ Top Management

CEO or top management should be involved from the beginning. What is the perspective of the company? If the business strategy is innovative, the CEO needs to inform this objective to all employees. The message has to be clear and should not advise that innovation is one part of the business. CEO needs to inform the importance

of innovation and the company will reward the employee who has innovative skill not the employee who has the highest sales performance. This would encourage employees to be more creative and more alert while working in the company.

Human Resources Department

In order to help build an innovative culture, HR department should be involved. Even though HR department's role is not to transform the culture, it can be the essential help to educate and provide information on innovation to employees in the organization. The goal is to embed innovation culture in all departments.

Innovation Department

If the company has a special department which supports innovative ideas, it will help the organization build innovative culture because people have tendency to think that they do not have innovative thinking skill. In reality, everyone has different ideas and can be innovative in different level but since they think differently, they don't have any opportunity to show their ideas. This special department can help business to compel and motivate employees from basic until they become expert and have creative thinking skill.

Question 5: How to build innovative culture in Tesco Lotus?

There was a question asked to the respondents about how to build a culture of innovation. All the respondents said that the first step should come from vision and direction that was already planned in a long term plan. An organization cannot change to a new direction if the organization's vision and mission are not conceived. In order to make the employees follow a new direction, the company needs something that can influence employees to believe in it. However, there are two different opinions from all respondents on how to promote innovation to company after employees have clear vision and direction. One of the three respondents raised that the company should create a big transformation if it would like to build an innovation culture. CEO / top

management should announce that company will focus on the innovation and it would be one of competencies that employees in the organization should have. Second step will be driven by HR by finding the key leaders and people who can influence to be the representatives. Candidates of this group might be CEO or junior employee. The respondent also mentioned that after the CEO announces the new direction, the new culture should be started immediately by setting in employee KPI.

The other two respondents said that to change the culture, the company should build it from a small start because culture takes a long time to change. They gave illustration as when we build a snowball we should build from the small ball first then it takes time to collect snow to become big snowball. Hence, if company would like to build a culture, it should start step by step, rather than transform in one time. The respondents also gave the reason that as Tesco Lotus has more than 60,000 employees, if the CEO or representative announces the transformation immediately, it might result in a situation of resistance. To help the process works smoothly, the first step will be the same idea as the first respondent in that CEO should promote the innovation culture and allow employees to see the benefit if the company becomes an innovative company. The second step is the function or business that is directly involved in the innovation such as HR and Innovation department should play their roles. The important thing to transform the culture is intrinsic not extrinsic. Even though CEO delegates the goal and KPI to manager and manager delegates down to employee, it will not be successful because they did not transform the people.



CHAPTER V

DISCUSSION

Analysis of the data demonstrates that to build innovative culture in innovative company needs several factors to create the culture to become innovative. Not only are the factors that build the culture are important, but the people who should be involved are also the heart of building innovative culture.

According to this thematic study on how to build innovative culture in innovative company, we have learned that many organizations realize that innovation is not an odd idea, but it is a vision about the future and gaining strong insights. They challenge and build the strategic idea and inspire creative culture. The major problems that many organizations face are how to build innovative culture that aligns with the organizational strategy.

In this study, the objectives are to learn whether the current culture embedded in Tesco Lotus aligns with company's strategy and to find what the factors are to build company culture to be an innovative culture. We have found that the current culture of Tesco Lotus has certain aspects of an innovative culture but still at an emerging level and it is trying to become the innovative company. We have learned that employees are aware that the company developed innovative competency to be a KPI. Tesco Lotus is a retail company, which provides the cheapest price to customers and is determined to improve its culture to support the business to be more innovative to compete with market. However, the organization's strategy or commitment from top management alone is not enough. To transform the company into an innovative organization, it needs to create a working environment that provides opportunity for employees to collaborate more, challenge employees to work on innovative work, drive intrapreneurial spirit to employees, and create the trust and flexibility culture within the company. The top management and other departments related in this matter should educate its employees concerning the benefits of this change, and encourage employees more. The innovative culture will improve overall profitability in the

organization which leads to create new or differentiation process and the company's goal eventually.

Moreover, we also learned that the process to build the culture originates from the mindset of top management. It is the first step to build culture then HR or innovative department will be the promoter to facilitate employees to understand the benefits and change their behaviors to have more creative character. However, the respondents raised a concern that building a culture in organization is not the most difficult one but sustaining the culture is. How can we build a culture in company and make employees be part of the process? This process should involve not only one or some group of employees but all employees in the organization because if the group of innovative employees resign the innovation leaves also. Thus the challenge is not only to build but how to sustain, which should be part of the company's long term plan.

There were some constraints of this thematic paper which made the process challenging, such as the six week time limitation to get more in-depth information on building innovative culture. Also, to conduct qualitative surveys with senior level managers who have information on innovation was difficult because of their schedules. Since most employees in Tesco Lotus only have average of five year service, it was quite difficult to find employees who understand the company's culture.

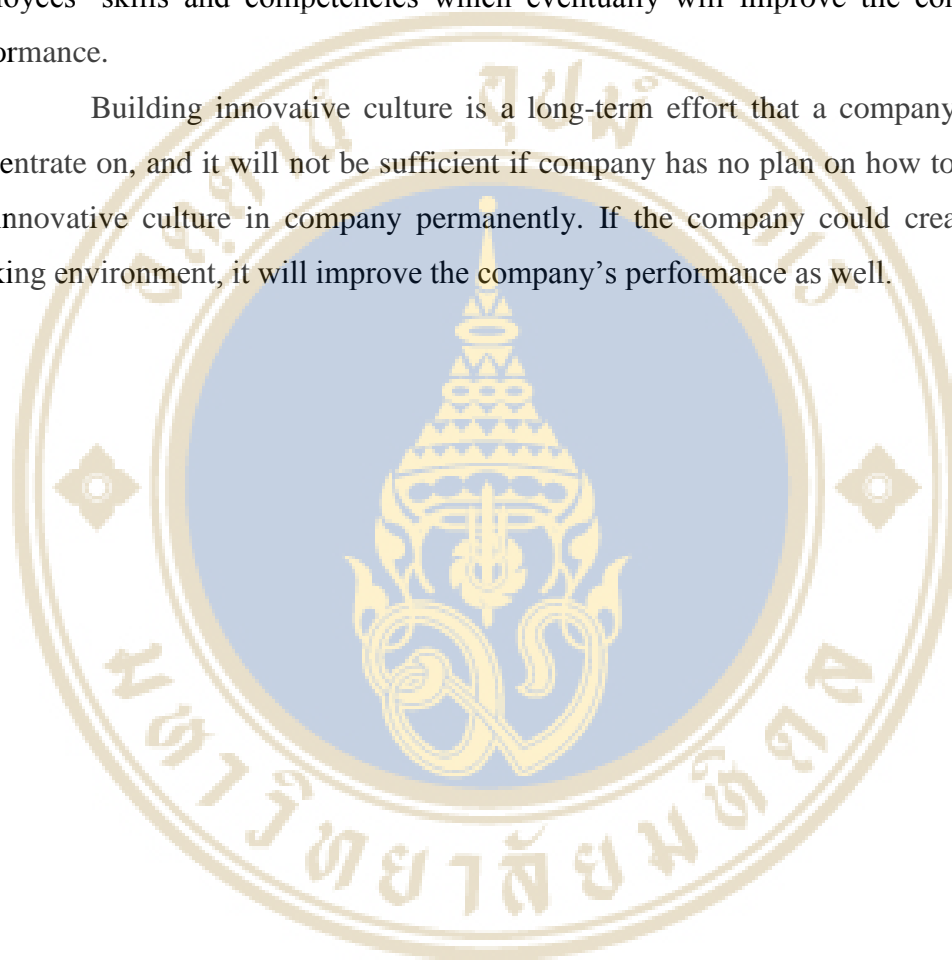
However, building innovative culture is not the only method for a company to be an innovative company. An interesting question to investigate in further studies is how to sustain an innovative culture in a company or compare the benefit of each factor. It would also be important to include more cultural factors in a follow-up study, which was not possible in my study due to the limited scope of the thematic paper and then to explore which of these factors are the most important for company to build toward the innovative culture.

There are some recommendations for Tesco Lotus in order to build innovative culture. Tesco Lotus should modify the organizational culture. There is lack of encouragement from management and no department to educate or be responsible for building the overall company's culture. To educate the employees, the company should provide training in relation to innovation to certain departments or teams that should be involved and benefit from the innovation. The departments that would benefit from innovation are Marketing, Human Resources, Business Planning,

Information Technology, Support Office, and Property department. In addition, the company should hire an innovation consultant to support transformation and provide advice.

The transformation will benefit the company in the long run in terms of keeping the culture within organization by absorbing culture from the current company. Another more tangible benefit is that the innovative culture will increase employees' skills and competencies which eventually will improve the company's performance.

Building innovative culture is a long-term effort that a company should concentrate on, and it will not be sufficient if company has no plan on how to sustain the innovative culture in company permanently. If the company could create such working environment, it will improve the company's performance as well.



REFERENCES

- Arad, S., Hanson, M.A. & Schneider, R.J. (1997). A framework for the study of relationships between organizational characteristics and organizational innovation. *The Journal of Creative Behavior*. Vol.31, No.1, pp.42-58.
- Argyris, C. & Schon, D. (1978). *Organizational Learning: A Theory of Action Perspective*. MA Organizing for Open Innovation: Focus on the Integration of Knowledge
- Byrd, J., & Brown, P.L., (2005). *The Innovation Equation. Building Creativity and Risk-Taking in Your Organization*.
- Brodtrick, O. (1997). Innovation as reconciliation of competing values. *Optimum*. Vol.27, No.2, pp.1-4.
- Clegg, C., Unsworth, K., Epitropaki, O. & Parker, G. (2002). British Psychological Society. *Journal of Occupational and Organizational Psychology*. Implicating trust in the innovation process
- Darvish, H., & Nazari, E.A. (2013). Organizational Learning Culture – The Missing Link between Innovative Culture and Innovations (Case Study: Saderat Bank of Iran). *Economic Insights – Trends and Challenges* Vol. II (LXV), No. 1/2013, pp 1 – 16.
- Davis, S. (1984). *Managing corporate culture*. Cambridge.MA:Ballinger
- Gayle, C. A., & Bergsteiner, H. (2010). *Honeybees & Locusts. The business case for sustainable leadership*. Crows Nest NSW 2065. Allen & Unwin. pp.153-158
- Gifford & Pinchot, E . (1978).
Retrieved August 13, 2014 from
<http://en.wikipedia.org/wiki/Intrapreneurship>
- Hartmann, A. (2005). The role of organizational culture in motivating innovative behavior in construction firms. *Construction Innovation* 2006. Vol 6, pp 159- 172.
- Hill, R. (1996). A measure of the learning organisation. *Industrial & Commercial*

- Training. Vol. 28, No. 1, pp. 19-26.
- Hunter, S.T., Bedell, K.E., & Mumford, M.D. (2007). Climate for creativity: A quantitative review. *Creativity Research Journal*. Vol 19, pp. 69-90.
- Jaskyte, K. & William, W. D. (2008). *Administration in Social Work Organizational Culture and Innovation in Nonprofit Human Service Organizations*, pp 23-41.
- Jamsai, S., Nousala, S., & Terziovski, M. (2007). Building Innovation Capability in Organizations. *An International Cross-case perspective*.
- Johnson, G., Scholes K., (1993). *Exploring corporate Strategy*. 3rd edn. Hemel Hempstead. Prentice Hall.
- Johnston, C. (Aug 17 2013). SEAST Google's 20 percent time is "as good as dead" Retrieved August 13, 2014 from <http://arstechnica.com/business/2013/08/googles-20-percent-time-is-as-good-as-dead-because-it-doesnt-need-it-anymore/>
- Martin, W. & Wallin, G.V.K. (2010). *Organizational Dynamics*. Vol 39, No2, pp 145-154.
- Martins, E.C. & Terblanche, F. (2003). Building organizational culture that stimulates creativity and innovation. *European Journal of Innovation Management*. Vol. 6, No. 1, pp. 64-74.
- McGill et al. (1993). Management practices in learning organizations. *Organizational Dynamics*. Vol. 21, No. 1, pp. 4-18.
- Pervaiz, K.A. (1998). Culture and climate for innovation. *European Journal of Innovation Management*. Vol.1 No.1. pp.30-42
- Snap Surveys Ltd. (2013). Qualitative vs quantitative research. Retrieved July 30, 2014 from <http://www.snapsurveys.com/qualitative-quantitative-research/>
- Steiber, A. (March 7, 2014). How Google manages continuous innovation in a rapidly changing world. Retrieved August 12, 2014 from <http://www.strategos.com/google-model-managing-continuous-innovation-rapidly-changing-world/>
- Teresa, M. A. (1998). How to kill creativity. *Harvard Business Review*.

- Tesluk et al. (1977). Influences of organizational culture and climate on individual creativity. *The Journal of Creative Behavior*. Vol.31, No.1, pp.21-41.
- Tzafrir, S.S. & Eitam, M.M. (2005). The impact of downsizing on trust and employee practices in high tech firms: a longitudinal analysis. *Journal of High Technology Management Research*. Vol. 16, pp. 193-207.

